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SUBJECT: MILF REPRESENTATIVES UNVEIL ISLAMIC ECONOMIC  
DEVELOPMENT MODEL TO PHILIPPINE BUSINESS LEADERS FORUM

Classified By: Acting Political Counselor Paul O'Friel for  
reasons 1.4 (b) and (d)

11. (C) Summary: Three executives from the Moro Islamic Liberation Front's (MILF's) development arm -- the Bangsamoro Development Agency (BDA) -- represented MILF Vice-Chairman for Political Affairs Ghazali Jafaar during a November 23 special closed door session of the Philippine Business Leaders Forum and Mindanao Business Council (MBC). On behalf of Jafaar, BDA chairman Dr. Abas A. Candao delivered the message that a final GRP-MILF peace agreement must be rooted in Islamic values, and that an Islamic Economic Development Model will be implemented in whatever juridical entity is created in Mindanao. Educating businessmen, government officials, and the general public -- particularly within non-Muslim sectors of Mindanao and the international community -- on the principles, legal aspects, and merits of an Islamic model will be a daunting challenge for the MILF, BDA, and MBC during the months -- if not years -- ahead. End Summary.

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Islamic Economic Development Model for Mindanao?  
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12. (SBU) Some fifty businessmen, bankers, academics, and diplomats gathered at the Filinvest Corporate Center in Alabang, Metro Manila on November 23 for a panel discussion on "Building Peace and Security in Mindanao." MILF Vice-Chairman for Political Affairs Ghazali Jafaar was billed as the keynote speaker, but failed to appear for this special closed door event hosted by the Philippines Business Leaders Forum (PBLF) and Mindanao Business Council (MBC). (Note: MILF Vice-Chairman Jafaar was also expected to attend the November 27 opening ceremony for the Southeast Asian Games in Manila with MILF Central Committee Chairman Al Haj Murad Ebrahim and GRP-MILF Peace Panel Chairman Mohaqer Iqbal, but all three leaders did not appear due to "previous commitments." Attending the SEA Games opening ceremony on their behalf were MILF Coordinating Committee on Cessation of Hostilities (CCCH) Chief Von Al Haq, MILF Spokesman Eid Kabalu, MILF member Jannati Mimbantas, and attorney Abdul Dataya. End Note.)

13. (SBU) Delivering the keynote speech in place of MILF Vice-Chairman Jafaar at the PBLF's November 23 special forum was Dr. Abas A. Candao, Chairman and CEO of the Bangsamoro Development Agency (BDA). Dr. Candao began his speech -- which contained quotes from the Koran -- by conveying Jafaar's gratitude to the PBLF and MBC for inviting him to be the keynote speaker for a forum that would set the stage for an international investment conference on Mindanao. Since Jafaar was unable to attend because of "a previous commitment," Dr. Candao represented him along with BDA Executive Director Dr. Danda N. Juanday and BDA Vice-Chairman/former MILF Technical Adviser Dr. Saifullah M. Dipatuan. (Note: The BDA is a non-governmental organization based in Cotabato City, Mindanao that was established by the MILF in accordance with provisions of the 2001 Tripoli Peace Agreement. Since being activated in 2002, the BDA has been the MILF's development arm responsible for implementing rehabilitation and development projects within impoverished and conflict-affected areas of Mindanao. Its executives -- Candao, Juanday, and Dipatuan -- are all medical doctors by profession. End Note.)

14. (SBU) After thanking the Malaysian-led International Monitoring Team (IMT), U.S. Institute of Peace (USIP), World Bank, and international donor community for their contributions to the GRP-MILF peace process, Dr. Candao gave the audience a glimpse of the MILF's vision for Mindanao's future development. His key points were as follows:

--- Spiritual and material development are inseparable and must be in accordance with the Koran.

--- Feasibility studies will be conducted to determine the kind of investments that are needed in each area.

--- An Islamic Economic Development Model will be implemented

in whatever juridical entity that is created by a final GRP-MILF peace agreement.

--- Dependence on foreign loans is a "disease" that has shattered lives. Islamic principles require the Bangsamoro people to avoid incurring foreign debt "even if it hurts."

--- Capitalism still suffers from unequal distribution of wealth, poverty, greed, exploitation of consumers, and distortions of the market that result in monopolies. The rich use money for their own benefit and interest payments are always added to the cost of production. These are problems created by capitalism, and, unless solved, may give birth to another reaction worse than communism.

--- While capitalists have celebrated the fall of communism on both a political and ideological plane, the fact remains that communism was a reaction by the common man toward unequal distribution of wealth.

--- Communism failed because of its inherent defects. The communist model assailed private ownership and market forces, denied individual liberties, curtailed production, and left people at the hands of a ruling class.

--- The principles contained in the Koran are capable of solving economic problems in the world today. Islamic principles allow for private ownership, market forces, and an economic system that prevents monopolies as well as activities such as gambling that are detrimental to society.

--- Under the Islamic Economic Development Model, common people share in the fruits of development, income is distributed to the needy through Zakat, and there is a just and equitable relationship between lenders and borrowers.

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The MILF's Development Arm  
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15. (SBU) Following Dr. Candao's keynote speech, BDA Executive Director Dr. Juanday gave an overview of the BDA's activities. A total of 3,128 persons (2,287 females and 841 males) have been trained on transparency and accountability to support six BDA Regional Management Offices in Central Mindanao, Lanao area, Socsksargen (South Cotabato, Sultan Kudurat, Sarangani, and General Santos City), Zamboanga Peninsula, and "Zambusulla."

16. (SBU) Dr. Juanday noted that Islamic development requires "value transformation" and "agents for community change." He highlighted existing linkages between the BDA and such institutions as the World Bank, Islamic Development Bank, Asian Institute of Management, World Vision, UNICEF, U.S. AID, Japanese Government, and GRP Office of the Presidential Adviser for the Peace Process. He especially thanked the World Bank for assisting the BDA in capacity building and developing plans for communications and marketing, finance, administration, and personnel management.

17. (SBU) In his closing remarks on the future of the BDA, Dr. Juanday emphasized the importance of the Islamic Economic Development Model, the establishment of a partnership between the BDA and Global Islamic System, and key role that the BDA would play in peace and development for Mindanao.

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GRP-MILF Peace Process Continues  
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18. (SBU) BDA Director Dr. Dipatuan - who formerly served on the MILF Peace Panel -- made the following key points regarding the GRP-MILF peace process:

--- The GRP and MILF peace negotiators have yet to determine the kind of juridical entity to be created in Mindanao. While a federal state is a possibility, the MILF is open to other options and has been looking at examples from other countries such as Peru. Whatever juridical entity is ultimately created must be acceptable to the Bangsamoro people.

--- The MILF is not going to rush into any final peace agreement.

--- A key issue in the peace process is ancestral domain which has four strands - concept, territory, natural resources, and governance.

--- Until the recent press leak, details of the GRP-MILF peace negotiations were held secret for good reason. Future negotiations will continue to be held secret, with details released to the public at an appropriate time.

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View from the Sulu Archipelago

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19. (SBU) In her opening remarks, the lead convenor for the Council on Islam and Democracy (CID) Amina Rasul -- whose family is originally from Sulu -- stated that Islam and democracy were compatible based on the Koran. Rasul then intimated that MILF Vice-Chairman Jafaar's failure to appear for the November 23 forum was related to his meetings with the World Bank. According to Rasul, a six member team from the World Bank -- including a former rebel from Latin America -- unofficially met with Jafaar and eight other MILF leaders for the first time in Mindanao. Their meeting, which lasted for a half day, went so well that a second meeting was arranged.

110. (SBU) Rasul highlighted the importance of overcoming the common stereotype that Muslims are incapable of economic development by their own efforts. She pointed out that Sulu once had a vibrant economy with trade routes throughout the region. The imposition of martial law by the Marcos Regime during 1972 and the armed conflict that followed had a devastating impact on Sulu's economy.

111. (SBU) To date, there has been little foreign investment in the Sulu Archipelago due to the lack of peace and security. Local businessmen in these areas are thus pooling their financial resources together to buy equipment for their own development projects. According to Rasul, opportunities exist in the Sulu Archipelago for any outside investors willing to take a risk. (Rasul's CID has been examining Islamic finance for the past year and plans to organize a major conference on this important topic during 2006 for potential investors.)

112. (SBU) Speaking in reference to the ongoing armed clashes in Sulu between the Armed Forces of the Philippines (AFP), Abu Sayyaf Group (ASG), and Misuari Breakaway Group (MBG), Rasul stated that most members of the Moro National Liberation Front (MNLF) still recognize Nur Misuari as their leader. Though the MNLF signed a 1996 Final Peace Agreement with the GRP, this agreement has not been fully implemented. According to Rasul, any peace agreement negotiated between the GRP and MILF must not supersede this GRP-MNLF Final Peace Agreement.

113. (SBU) Rasul ended her presentation with remarks about charter change. Consultations during November in Mindanao with local government, religious, and civil society leaders revealed concerns about the motive, timing, and necessity of charter change and its potential impact on the implementation of a final GRP-MILF peace agreement. In Rasul's view, a constitutional convention must be held, and, if federalism is adopted, the Bangsamoro state should include the 13 provinces of Mindanao.

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An Outsider's Perspective  
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114. (SBU) Panelist Edward McBride - the Bangkok based Southeast Asia Correspondent for The Economist -- made the following points:

--- Mindanao needs more rather than less capitalism. Increased investments and loans can only improve the situation there.

--- Countries with the most open economies and least interference by government in the Southeast Asian region, such as Singapore and Malaysia, are the most prosperous. Making Mindanao more like these countries would improve the lives of the Bangsamoro people.

--- Neither the Philippine political system nor some of the people claiming to speak on behalf of the Bangsamoro people have really addressed their aspirations and concerns.

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Views from the Audience  
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115. (SBU) The following key points were made by several businessmen, a retired banker, an academic, and former GRP official during the open forum:

--- Mindanao is currently divided into two areas -- a growth area that includes Davao and Bukidnon and a conflict-affected area that includes Sulu. Without strong GRP intervention in the conflict-affected area, there will be a negative spillover into the growth area and rest of the Philippines.

--- Four major factors inhibit investment in Mindanao -- lack of law and order, conflicting GRP land policies and competing land claims, poor infrastructure, and local poverty.

--- The excessive focus on religion in the dialogue on Mindanao is a source of concern to bankers and businessmen.

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MBC Chairman Santos Accentuates the Positive  
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16. (SBU) In delivering the closing remarks for the forum, MBC Chairman Antonio R. Santos Sr. highlighted the positive aspects of Mindanao for potential investors:

--- Mindanao, which is located in the heart of the Asia-Pacific Region, offers investment opportunities in agri-business, industry and tourism.

--- Approval has been given for the establishment of an ARMM Regional Economic Zone.

--- The peaceful election within the Autonomous Region of Muslim Mindanao (ARMM) last August reflects that governance is improving.

--- The Polloc Port in Maguindanao has the potential to become a major international port.

--- Power projects are now being implemented in the region.

--- Agricultural products such as bananas, mangos, and pineapple are being exported into foreign markets.

--- Seaweed products are shipped from the Sulu Archipelago to Cebu via Zamboanga City.

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Comment  
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17. (C) With the unveiling of an Islamic Economic Development Model at this Philippines Business Leaders Forum -- which happened to coincide with a November 21-24 international conference in Jakarta, Indonesia on "Islamic Economics and Banking in the 21st Century" -- MILF religious/intellectual leaders have put the business community on notice of their opposition to free wheeling capitalism in post-conflict Mindanao. Implementing an Islamic Model may prove to be easier said than done, however. Christian leaders such as Zamboanga City Mayor Celso Lobregat, along with such groups as the Concerned Citizens-Activists for Development (CCAD), are firmly opposed to the creation of any juridical entity that includes areas outside of the ARMM (Maguindanao, Lanao Del Sur, Basilan, Sulu, and Tawi-Tawi.) It also remains to be seen whether there is a consensus regarding an Islamic Economic Development Model between the MILF, factionalized MNLF, new ARMM Administration under Zaldy Ampatuan, and leading Muslim clans within the region. Nonetheless, businessmen, government officials and the general public would do well to bone up on Islamic economics, finance, and banking because the debate over this alternative paradigm to capitalism and communism is likely to intensify in the months ahead.

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